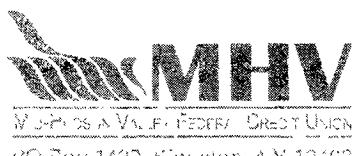


# EXHIBIT (A)



**MHV. WHERE MEMBERSHIP HAS VALUE!**

Statement Period  
**THRU 03/31/09**

Your Account Number  
**200519070**

MDS2005 (0058548 \* SP 0420 09231S  
 RICHARD E. ULLOA  
 POSTAL DEPARTMENT 771  
 STONE RIDGE NY 12484-5400                    001513

Call Center (24/7)  
 845-336-4444  
 800-451-8373  
 Ext. 6000

Website, Home Banking & Bill Payer  
[www.MHVFCU.com](http://www.MHVFCU.com)

See inside for your newsletter and read about what's new at MHV. Homeowners may be eligible for up to a \$1,500 income tax credit for purchase of energy efficient home improvements. Read all about it. Now's the time to buy a home, too, with rates at all time lows. Details inside! Find out about the convenience of direct deposit, car buying incentives from major auto dealers and much more in this issue of *Member Newsline*.

### Savings Sub: 1 (Primary Savings)

Date	Transaction	Withdrawal	Deposit	Balance
<b>Jan01 Beginning Balance</b>				<b>\$0.00</b>
Jan17 Deposit		59,211.15		59,211.15
Jan26 Return Deposited Item ck #009 rtd Pmt, maker R. Ulloa		21,000.00-		38,201.15
Returned Deposit Fee		10.00-		
Jan30 Cash Withdrawal		296.80-		37,904.35
Jan31 Dividend			10.26	37,914.61
<b>Savings 0.49% Annual Percentage Yield earned for 01/01/2009 to 01/31/2009 based on Average Daily Balance \$24,564.96</b>				
Feb17 Mtg Pmts In Process (MTG 70508022 cem, star per D. Wright.		37,900.00-		14.61
Feb28 Low Balance Fee Low Balance Fee		1.00-		13.61
Feb28 Dividend			8.18	21.79
<b>Savings 0.49% Annual Percentage Yield earned for 02/01/2009 to 02/28/2009 based on Average Daily Balance \$21,671.72</b>				
Mar31 Low Balance Fee Low Balance Fee		1.00-		20.79
<b>Mar31 Ending Balance</b>				<b>\$20.79</b>
 Total Deposits/Credits:                    \$59,229.59 Total Withdrawals/Debits:                 \$59,208.80- YTD Dividend:                                 \$18.44				

Fee Periods:

01/01/2009 - 03/31/2009

Year To Date

Continued next page

**Savings Sub: 1 (Primary Savings)**

Paid Overdrawn Item Fees	0.00	0.00
Returned Item Fees	0.00	0.00
<b>2008 Dividend:</b>		<b>\$0.00</b>

**ACCOUNT BALANCE SUMMARIES**

Total Savings	20 79
---------------	-------

This year's Annual Meeting is at 4 p.m. Thursday, April 23 at Credit Union Center, 1099 Morton Boulevard, Kingston. Join the Board of Directors and management team for reports on the 2008 fiscal year and learn more about the financial health of MHV. Please reserve by calling 800-451-8373, ext. 3238. Light refreshments served.

FILED  
12 H 03 M  
FEB 17 2009

U.S. Post Office  
Ulster County Clerk

magistrate richard-enrique  
general post-office 2nd  
peak farms,  
second judicial-district  
ulster-county the land  
yisra'el the people.  
phone: 845-627-7886  
Email: ulsterthecounty@gmail.com

The MID HUDSON VALLEY FEDERAL CREDIT UNION at 1099 Morton Avenue, Kingston, New York duly under the direction and order of DAVID D. WRIGHT a.k.a David D. Wright have frozen, ceased, terminated, stolen, taken without authority or due process a checking account with funds that belong to another entity which were under the care of Richard Enrique Ulloa. As a steward for ulster-county; the land, and magistrate for yisra'el, the people, it is my duty to record this notice into the publick record, and inform the parties of the penalty of 100,000 ounces of silver per day said account is frozen, ceased or on hold. The penalty will be two fold; one will be assessed to MID HUDSON VALLEY FEDERAL CREDIT UNION and one will be assessed to David D. Wright personally. The assessment of penalties will commence once this document is recorded with the Ulster County Clerk.

Notice to Cease, Desist, and Quit

To David D. Wright a.k.a DAVID D. WRIGHT  
Vice President  
1099 Morton Boulevard  
Kingston, New York 12401

You are hereby given notice by this document that interference with the rights of Richard Enrique Ulloa not only will carry Federal charges and indictments, but also ulster-county penalties.

The MID HUDSON VALLEY FEDERAL CREDIT UNION and David D. Wright a.k.a DAVID D. WRIGHT will send a bill for damages in the amount of 100,000 ounces of silver per day (including weekends and holidays) that the account remains on hold. These penalties will be collected by any means available. The collection agencies, Internal Revenue Services, CID Division, Dun & Bradstreet Collection, Franklin Collection and including but not limited to revocation of the banks charter via the Office of the Comptroller of the Currency.

Lawful notice and demand is hereby given to cease, desist and quit all unlawful acts upon the property of Richard Enrique Ulloa, the people, Ulster-county, the land

You are hereby given notice that you and others do not have permission, authority, to freeze, seize and intercept assets without due process

Notice To Principals Is Notice To Agents Jointly And Individually As Well

As The To Agents Is Notice To Principals Jointly And Individually Are Liable

Subscribed and Sworn to before me this

17 day of Feb, 2009  
ROSEMARY SECRETO  
(Notary Public)

magistrate richard-enrique  
The fifteen day eleven month day \$0.00  
for translation; the Babylon date of February 17, 2009  
sent post-office Certificate of mailing, by hand-delivery, and filed in the de-jure record  
Notary Public, State of New York  
Resident in and for Ulster Co  
Commission Expires Dec 8 2009



-----  
Official Receipt for Recording in:

Ulster County Clerk  
244 Fair Street  
Kingston, NY 12401

Issued To:  
RICHARD ULLOA

Recording Fees

Document Description	Number	Volume	Page	Recording Amount
241 DR-ULLOA RICHARD IN-NOTICE	00000138	00055	00311	.00

Collected Amounts

Payment Type	Amount
No Fee	0

Total Received :	.00
Less Total Recordings:	.00
Change Due :	.00

Thank You  
NINA POSTUPACK - County Clerk

By - rsec rsec

Receipt# Date Time  
0760051 02/17/2009 12:03p

# BILL FOR DAMAGES

MAY 2009 - 100,000 OZ SILVER

MAY 2009 - 100,000 OZ SILVER

Notice to Cease, Desist and Quit. 100,000 ounces of silver per document x 23=FRN's

Due on Receipt

FRN#	Amount
02/16/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/17/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/18/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/19/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/20/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/21/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/22/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/23/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/24/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/25/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/26/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/27/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
02/28/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/01/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/02/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/03/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/04/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/05/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/06/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
03/07/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00
	\$46,000,000.00

Bills 43 Sat

2009

100,000 OZ SILVER

# BILL FOR DAMAGES

## VIOLATION AND PENALTIES

Notice to Cease, Desist and Quit. 100,000 ounces of silver per document x 23=FRN's

## AMOUNT DUE

Due on Receipt

DATE	TC181	
02/16/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/17/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/18/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/19/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/20/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/21/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/22/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/23/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/24/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/25/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/26/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/27/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
02/28/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
03/01/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
03/02/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
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03/05/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
03/06/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
03/07/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver	2,300,000.00	
	TOTAL DUE	\$46,000,000.00

2009/03/07

Thank you for your business!

# BILL FOR DAMAGES

Date: May 16, 2009  
Invoice # 1002 02

Richard-enrique Ulloa  
Master of the Court  
66-10 18th, New York 11364  
645-687-7856  
Fax:  
rulloa.thecourtney@gmail.com

TO: David D. Wright  
In his personal capacity

SHIP TO: David D. Wright  
Mid Hudson Valley Federal Court  
U.S.A.  
1099 Vernon Blvd.,  
Kingston, New York, 12401  
845-336-4444  
332.kmt@nycourts.gov

## VIOLATION AND PENALTIES

Notice to Cease, Desist and Quit, 100,000 ounces of silver per document x 23=FRN's

## PAYMENT TERMS

Due on Receipt

DESCRIPTION	TOTAL
3/08-03/31/2009 Account under the name RICHARD ULLOA is seized 100,000 oz silver	55,200,000.00
04/01-04/30/2009 Account under the name RICHARD ULLOA is seized 100,000 oz silver	69,000,000.00

Carry over from invoice 1002 from previous invoice	46,000,000.00
<b>TOTAL DUE</b>	<b>170,200,000.00</b>

Make all checks payable to richard enrique ulloa  
**Thank you for your business!**

# BILL FOR DAMAGES

July 10, 2009  
Invoice #10012

Richard Enrique Ulloa	TO MID HUDDSON VALLEY	SHIP TO Mid Hudson Valley Federal Credit
Postal address: P.O. Box 71	FEDERAL CREDIT UNION	Union
Phone: 845-226-2784	The corporate name	1090 Union Street
613-687-7853		Poughkeepsie, New York 12567
Fax		845-338-4143
r.ulloa@comcast.net		MHFECU.COM

VIOLATION AND PENALTIES		PAYMENT TERMS
Notice to Cease, Desist and Quit, 100,000 ounces of silver per document x 23=FRN's		Due on Receipt
DESCRIPTION		TOTAL
3/08-03/31/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver		55,200,000.00
04/01-04/30/2009 Account under the name RICHARD ULLOA is seized100,000 oz silver		69,000,000.00
Carry over from invoice 1001		46,000,000.00
TOTAL DUE		170,200,000.00

Make all checks payable to richard-enrique ulloa  
**Thank you for your business!**

# EXHIBIT (B)

**AFFIDAVIT OF SERVICE**

CORPORATION corporation, by delivering thereat a true copy to  
personally, defendant knew said corporation so served to be the corporate witness and knew said individual to be  
thereof . . . .

100-125000  
X-125000  
125000  
by delivering therat a true copy to Mrs. J. J. a person of suitable age and discretion  
old a scion. Said premises is a business—actual place of business—dwelling place—usual place of abode—within the state,  
by affixing a true copy to the door of said premises which is witness' actual place of business—dwelling place—usual place  
of abode—within the state. Deponent was unable, with due diligence to find witness or a person of suitable age and discretion  
therat, having called there.

Within 20 days of such delivery or affixing, deponent enclosed a copy of same in a postpaid envelope properly addressed to witness at witness' last known residence, at \_\_\_\_\_, New York, and deposited in said envelope in an official depository under the exclusive care and custody of the U.S. Postal Service within New York State. Within 20 days of such delivery or affixing, deponent enclosed a copy of same in a first class postpaid envelope properly addressed to witness at witness' actual place of business, at \_\_\_\_\_, New York, and deposited in an official depository under the exclusive care and custody of the U.S. Postal Service within New York State. The envelope contained the legend "Personal and Confidential" and did not indicate on the outside thereof, by return address or otherwise, that the communication was from an attorney or concerned an action against the witness.

1001PPT00- 1001PPT01 1001PPT02 1001PPT03 1001PPT04	Male Female	White Skin Black Skin Yellow Skin Brown Skin Red Skin	Black Hair Brown Hair Blonde Hair Gray Hair Red Hair	White Hair Balding Mustache Beard Glasses	14-20 Yrs. 21-35 Yrs. 36-50 Yrs. 51-65 Yrs. Over 65 Yrs.	Under 5' 5'0"-5'5" 5'4"-5'8" 5'9"-6'0" Over 6'	Under 100 Lbs. 100-130 Lbs. 131-160 Lbs. 161-200 Lbs. Over 200 Lbs.
--	----------------	---	--	---	--	--	---

#### Other identifying features

... a service, dependent paid (tendered) in advance. See also *service*.

the authorized traveling expenses and one day's witness fee.

#### Summary of the On

**PRINT NAME BENEATH SIGNATURE**

James X

# Judicial Subpoena



S 69-

110228 8:00pm pg 1 of 1

COUNTY OF

Index No. 25-CV-10001

MID-HUDSON VALLEY FEDERAL CREDIT UNION,  
against PlaintiffRICHARD ENRIQUE ULLOA, LUIS WILFRIDO RIVERA, CEMI STAR SERVICES, LLC,  
HUDSON VALLEY CUT & BRONZING SALON, INC., ELLNVILLE REGIONAL HOS-  
PITAL, THE BANK OF NEW YORK, LINDA WILLIAMS, NEW YORK STATE DEPART-  
MENT OF TAXATION AND FINANCE, DONALD PETER STEWART, PATRICIA PAGE  
STEWART, UNITED STATES OF AMERICA AND "JOHN DOE #1" - "JANE DOE #1"

The People of the State of New York

Calendar No.

JUDGMENT DATED  
JULY 10, 2009TO MID-HUDSON VALLEY CREDIT UNION  
1099 MORTON AVENUE, KINGSTON, NEW YORK 12401  
ORLAND CUTTING CO. LLCWE COMMAND YOU, That all business and correspondence between you and Plaintiff be discontinued at once  
and stopped before the time of trial, and that you do not speakon or before Friday, August 7, 2009 at 10:00 a.m. in the  
Courtroom or adjourned date to give testimony in this action or the part of the

time that you bring with you, and produce at the time and place aforesaid a letter.

Original promissory note, NOT a copy, but the original with a wet ink signature,  
front and back.

Also to include the Original Title Page, front and back

THE PROMISSORY NOTE FOR CEMI STAR SERVICES, LLC  
RICHARD ULLOA AND LUIS W. RIVERA, FOR PLATINUM  
12 LAKESIDE DRIVE, KINGSTON, NEW YORK 12401I, RICHARD ULLOA and all other debtors and co-signers, do hereby  
acknowledge the premises:For the sum of \$10,000.00, I have executed this instrument in consideration  
of the above-referenced debt, and I do acknowledge that it is my obligation to pay  
the same on demand by reason of your failure to complyWITNESS, honorable  
Judge [Signature]

I will occur at

I, RICHARD ULLOA  
do hereby acknowledge  
that I have read the foregoing instrument  
and understand its contents.

I, RICHARD ULLOA

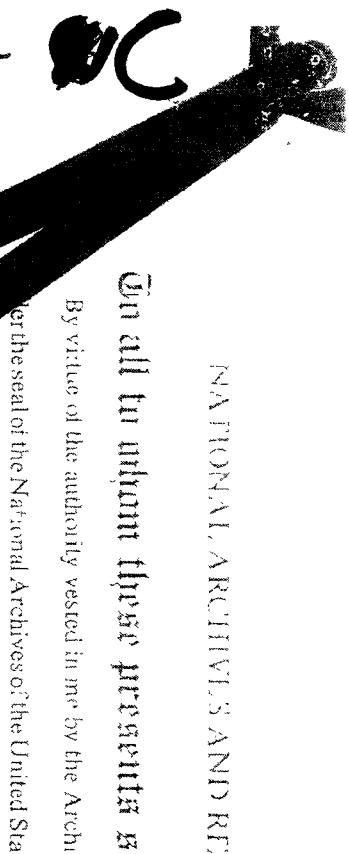
Date: July 10, 2009

Central Post Office 771

Staten Island, New York 10314

# EXHIBIT (C)

EXHIBIT



**ON ALL THE INK THAT THEY PRESENTED SHALL CURE. GREETING:**

By virtue of the authority vested in me by the Archivist of the United States, I certify on his behalf, under the seal of the National Archives of the United States, that the attached reproduction(s) is a true and correct copy of documents in his custody.

SIGNATURE		
NAME	Richard H. Hunt	
TITLE	Director	
Center for Legislative Archives		
NAME AND ADDRESS OF DEPOSITORY		
The National Archives Washington, D.C. 20408		
		DATE
		10/03/07

N.A. - JHM APR 85 14C7-A



SERIALIZED

OCT 21 1964

I certify for use of the Committee on Banking and Currency

U.S. GOVERNMENT PRINTING OFFICE

37-249

WASHINGTON : 1964

204-36-50, The National Archives of the U.S., Government Printing Office,  
Washington, D.C. 20408

44-132-111-116  
100-100  
[SUBCOMMITTEE PRINT]

4512

**MONETARY FACTS**

169 Questions and Answers on Money--A Supplement  
to A Primer on Money

*With Index*

SUBCOMMITTEE ON DOMESTIC FINANCE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

88th Congress, 2d Session



SEPTEMBER 23, 1964

Printed for use of the Committee on Banking and Currency

U.S. GOVERNMENT PRINTING OFFICE: 1964  
WASHINGTON : 1964

or sale by : U.S. GOVERNMENT PRINTING OFFICE: 1964  
Washington, D.C. 20402 Price: 15 cents

## COMMITTEE ON BANKING AND CURRENCY

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 RENE L. TALCOTT, California  
 DEL C. WATSON, California

## LETTER OF TRANSMISSION

September 21, 1964

*To Members of the Subcommittee on Domestic Finance:*

Transmitted herewith for the use of the Subcommittee on Domestic Finance of the Banking and Currency Committee, and other members of the committee and the Congress, as well as the general public, is a series of questions and answers on the basic workings of our monetary system. It is a supplement to "A Primer on Money" and is designed to highlight in question and answer form the basic points brought out in the "Primer." It has also been indexed so as to facilitate its use. It is hoped that "Monow Facts" will prove useful to students and all others interested in further study of and improvement in our monetary system and that it will stimulate serious thought, research and discussion of the critical issues involved.

Wright Patman, *Chairman*

11

JOHN S. HORNIG, Minnesota  
 ERIC R. HARRIS, Pennsylvania  
 CLARENCE A. VANCE, Ohio  
 ERIC D. PETERSON, Florida  
 ROBERT G. SCHULMAN, Missouri  
 CHARLES B. WILSON, Georgia  
 FERNAND F. GRADY-SKOL, Connecticut  
 CHARLES A. WILSON, California  
 WALTER J. WILDE, Idaho

JOHN R. STRAKA, *Civil and Sanitary Director*  
 ERIC R. HARRIS, *Professional Staff Member*  
 ALICE L. & ROBERT COOPER,  
 Executive Staff, *Member*

11

John R. Straka, *Civil and Sanitary Director*Eric R. Harris, *Professional Staff Member*Alice L. & Robert Cooper,  
Executive Staff, *Member*John R. Straka, *Civil and Sanitary Director*Eric R. Harris, *Professional Staff Member*Alice L. & Robert Cooper,  
Executive Staff, *Member*John R. Straka, *Civil and Sanitary Director*Eric R. Harris, *Professional Staff Member*Alice L. & Robert Cooper,  
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Executive Staff, *Member*John R. Straka, *Civil and Sanitary Director*Eric R. Harris, *Professional Staff Member*Alice L. & Robert Cooper,  
Executive Staff, *Member*John R. Straka, *Civil and Sanitary Director*Eric R. Harris, *Professional Staff Member*Alice L. & Robert Cooper,  
Executive Staff, *Member*

## CHAPTER III

## HOW IS MONEY CREATED?

## 41. What is the fractional reserve method of banking?

The fractional reserve method of banking originated with the goldsmiths—the predecessors of our present bankers. It is the method of banking in use today. Briefly, it is a system whereby bankers maintain as reserves only a fraction of the amount needed to meet all the claims against them. (The vast bulk of the claims against the banks are due to deposits you and I hold. These are obligations which the bank must pay upon our demand.) The goldsmiths struck upon this method by noticing that the people who deposited gold with them for safekeeping only claimed a small portion of this gold at any one time. Therefore, the goldsmiths realized that they could lend out a good portion of the gold left with them. They then made loans, which in fact were not of gold but warehouse receipts for gold. These receipts circulated as money. Notice, the gold actually the certificates of ownership—being loaned by the goldsmith was not his to lend. He did not own it. In other words, the goldsmith wrote receipts to people who were not depositing gold i.e. to borrowers. So receipts for more gold than the goldsmith actually had in his vaults were circulating. The goldsmith had only a fraction of the amount of gold needed to meet the claims against him. This is the fractional reserve system. When the banks of the United States kept their reserves in gold, their reserves amounted to only a small fraction of the amount of money they had issued, all of which was guaranteed to be redeemable in gold.

## 42. What are the advantages of the fractional reserve system?

Fractional reserves provide banks with a source of funds which they may invest in sound economic projects, and thus encourage business activity and economic growth.

## 43. What is the major weakness of the fractional reserve system?

Since no bank can meet all the claims on it at any one time, fractional reserve banking leaves individual banks vulnerable to runs. This is why a system of central bank reserves with facilities to lend and to perform services in time of need is necessary.

## 44. What are reserves in modern American banking?

Reserves in modern American banking are deposits demand deposits held by commercial banks at the Federal Reserve.

## 45. Where did the commercial banks obtain their reserves?

Yes, and commercial bank reserves were created by the Federal Reserve but from the account of the various commercial banks, which is to say the commercial banks. The Federal Reserve creates the equivalent to a bank reserves plus bank money by a simple process of paper loans, or other loans, the Federal Reserve credits such with some allowances.

## 46. Who determines how much checkbook money a bank can create on the basis of its reserves?

The Federal Reserve system sets reserve requirements. That is, the ratio of reserves to deposits that the individual member banks must maintain. This in turn determines how many loans a bank can take and how many securities it can buy.

## 47. Where does the Federal Reserve get the money with which to create bank reserves?

It doesn't "get" the money; it creates it. When the Federal Reserve writes a check, it is creating money. This can result in an increase in bank reserves, a demand deposit, or in cash. If the customer prefers cash, he can demand Federal Reserve notes, and the Federal Reserve will have the Treasury Department print them. The Federal Reserve is a total moneymaking machine. It can issue money or checks. And it never has a problem of making its checks good because it can obtain the \$5 and \$10 bills necessary to cover its checks simply by asking the Treasury Department's Bureau of Engraving to print them.

## 48. Who gave the Federal Reserve the power to create the money necessary to cover its checks?

The Congress. Because this power to create money is given by the Constitution to Congress, only the Congress can delegate this power. And thus it has done in creating the Federal Reserve System—an agency of Congress authorized to create money.

## 49. How does the Federal Reserve change the money supply?

First, by increasing or decreasing the amount of bank reserve which the member banks of the Federal Reserve System have to keep credit on the books of the Federal Reserve banks. Second, by regulations which tell the member banks the maximum amount of bank deposits they may create besides of reserves.

## 50. What is the formula that determines the maximum amount of money available to business and consumers?

Expressed mathematically this is a simple formula:  $A \times B / C$  where:  $A$  = A mount of bank reserves;  $B$  = Number of dollar deposits member banks may create per each dollar of reserves; and  $C$  = Total bank deposits.

## 51. Can the Federal Reserve authorities change the money supply formula?

Yes. They can change either or both parts of the formula at any time and they frequently do change one or both parts. These are certain limits set by the Federal Reserve Act to the changes the authorities can make. But these limits are extremely wide.

## 52. Does it make any difference which part of the formula the authorities change when they wish to increase the money supply?

Yes. Although the effect on the money supply of changing either part of the formula may be the same, the total economic effect is dependent on which part of the formula is changed. For example, when the Federal Reserve bank increases reserves, it increases money to be created by the member banks through lending and credit cards with some allowances.

not "create." This means the money of transferring from one bank to another, from private to public bank, to the other hand, when the Federal Reserve increases reserves, e.g., by purchasing U.S. Government securities, the interest income on those securities goes to the Federal Reserve System. Since the Federal Reserve turns over to the U.S. Treasury most of its earnings, the net effect of increasing the money supply by increasing reserves is to favor the private banking system. So when the Federal Reserve officials decide to increase the money supply, whether they favor the U.S. Treasury or the private banks does make a difference—millions of dollars of difference—in the amount of taxes you, I, and all other taxpayers must pay.

### 53. As bank reserves rise do private banks "deposit" their reserves with the Federal Reserve?

Collectively, private banks do not deposit a penny of their own funds, or their depositors' funds, with Federal Reserve banks. Reserves are transferred from bank to bank, but nothing the banks can do will increase the total amount of reserves in the system. Practically, only the Federal Reserve System itself can do this or to permit it to occur from a gold inflow. Increasing or decreasing reserves is a conscious act of the managers of the Federal Reserve.

### 54. How does the Federal Reserve create and destroy bank reserves?

By four methods: (1) by open market operations; (2) by gold purchases for the U.S. Treasury; (3) by loans to commercial banks; and (4) by purchases of eligible paper held by member banks.

### 55. What are open market operations?

They are the Federal Reserve's purchases or sale of U.S. Government securities in what is called the "open market"—in order to expand or contract bank reserves and hence the supply of money and credit available. The Federal Reserve Bank of New York conducts these transactions as agent for the entire system.

### 56. What is the "open market"?

It is composed of about 20 private dealers of U.S. Government securities, with whom the Federal Reserve Bank of New York trades. Several of these dealers are big New York and Chicago banks.

### 57. How much in bank reserves has been created by the Federal Reserve?

The answer was given in early 1950 by Chairman Martin of the Federal Reserve Board. Between the end of 1911 and the end of 1949, the Federal Reserve System had created gross additions to bank reserves an outstanding total of \$16 billion. Over the years, the banks had drawn down their bank accounts by \$28 billion by taking out money (which was printed to meet their requests), leaving their checking accounts (current balance of \$155 billion).

### 58. How does the Federal Reserve create bank reserves by open market operations?

The steps have been as follows. Let us assume that the Federal Reserve Board, in New York, decides to add \$100 million to the Federal Reserve System. Then the Federal Reserve Bank of New York makes the order to the Federal Reserve Bank of New York, which then sends the check to the Federal Reserve Bank of New York for payment. The Federal Reserve Bank of New York makes payment to the Chase Manhattan by crediting its most valuable asset with \$100.

Bank of New York. The bank will open a checking account by depositing a sum to say, with no Chase Manhattan Bank. The Chase Manhattan then deposits the check account with \$100 and then sends the check to the Federal Reserve Bank of New York for payment. The Federal Reserve Bank of New York makes payment to the Chase Manhattan by crediting its most valuable asset with \$100.

### 59. For whom does the Federal Reserve purchase or sell gold?

For the U.S. Treasury.

### 60. Where does the gold come from?

The gold is either newly mined or else comes from foreign central banks.

### 61. Why does the Treasury buy gold?

To add to the Nation's monetary gold stock and assure us through gold to meet our claims from foreigners who hold dollars.

### 62. Do banks have an automatic right to borrow from the Federal Reserve bank?

No. Member banks of the Federal Reserve System are eligible to borrow. But being eligible and obtaining a loan are two different things.

### 63. How are Federal Reserve loans to banks secured?

The law permits a Federal Reserve bank to accept a variety of good collateral to secure its loans. In practice, however, banks borrowing from the Federal Reserve System almost always put up U.S. Government securities as collateral.

### 64. Do the banks of the Federal Reserve System pay for their reserves?

No. Bank reserves cannot be paid for by private banks. They can be shifted from bank to bank after they are created. But to all intents only the Federal Reserve System itself can create or extinguish reserves. Indeed, when the Federal Reserve creates bank reserves, this permits the banks to increase their loans and augment their profits.

### 65. How do currency and coin enter the money supply?

The proportion of currency and coin in circulation to the total money supply is pretty much automatic. It normally amounts to about 20 percent of the money supply, with bank deposits accounting for the other 80 percent.

### 66. Who determines how much currency and coin is issued?

Given the total money supply depends on the behavior of individual and business firms. The amount of currency and coin in circulation depends on how convenient individuals and business firms find currency and coin rather than bank deposits in carrying on trade. As indicated, normally currency and coin make up 20 percent of the money supply.

### 67. Who determines how much checkbook money shall be created?

A committee made up of the members of the Board of Governors of the Federal Reserve System and the President of the Federal Reserve System makes the decision. The Open Market Committee, as it is called, decides only what the amount in "money" of money, i.e.,

**118. How many insured banks have failed since 1933?**

Four hundred and forty seven (as of December 31, 1963).

**119. Where does the FDIC get its money?**

Federal assessments on insured banks, and interest on U.S. Government accounts it holds.

**120. Where did the FDIC get money to start operations?**

The Treasury purchased \$150 million of stock in the FDIC, and the Federal Reserve, on instructions of Congress bought \$139 million of stock. This stock was repaid by the FDIC in 1947 at 2 percent interest.

**121. How much do the insured banks pay the FDIC?**

Insured banks pay annually a gross assessment of one twelfth of 1 percent of their total deposits.

**122. Is the FDIC subsidized by the Federal Government?**

Yes. Although it paid back the original \$289 million of stock, several subsidies remain. The fact that the FDIC gets half its total income from Government securities itself represents a sizable subsidy.

**123. What direct commitment does the Treasury have to the FDIC?**

The 1947 amendments to the Federal Deposit Insurance Corporation Act provided that the FDIC can borrow up to \$3 billion from the U.S. Treasury at its discretion. The law directs the Secretary of the Treasury to put up this \$3 billion any time the FDIC wants it.

**124. Does FDIC regulate and control insured banks?**

Yes. Under the provision of the act which allows the FDIC to see to it that banks do not engage in "unsafe and unsound practices in conducting business" and which allows it to lay down basic requirements for membership, the FDIC has come to regulate the banks rather completely. The FDIC can prevent banks from making investments its examiners deem undesirable. And, FDIC conservatism is making it more and more difficult for small businessmen and farmers to get the financial assistance they need.

## HOW THE FEDERAL RESERVE PROVIDES PUBLIC FUNDS TO THE PRIVATE BANKS

### CHAPTER VIII

**125. Do private banks enjoy a special relationship with the Federal Government?**

Yes, a very special relationship. The business of banks is to lend money. The profit comes from the difference between the cost of creating money and the price they charge borrowers for that money. Now the cost of creating money is negligible. Congress has delegated the power to create money to the banking system without a charge. The banks do not pay a license fee or a payment charge for their services. Thus the raw materials the banks use cost them nothing. Also the Government subsidizes the private banks in other ways. The banks receive free services from the Federal Reserve. Check-clearing is one example. Further, the Federal Government provides private banks with protection from competition and the hazards of failure. New national banks are not chartered unless the Federal officer in charge of such matters thinks the new bank will succeed and will not "weaken" substantially any already existing bank. Then again, the FDIC has set rigid standards for a bank to receive insurance. No now bank whether National or State chartered can very well succeed unless it obtains insurance. A basis for this insurance is that the new bank will not fail, or cause "unfair" competition.

**126. Why is the Government interested in subsidizing the private commercial banks?**

Because it furthers the public interest, up to a point. Our economy cannot function without a sound banking system and a well run, reliable money supply. The Government's concern for the banking system is actually a concern for a flourishing economy. Bank profits are necessary for a good banking system. So the Government makes provisions through its regulations that bank profits are protected.

Bank profits are only a means toward furthering the general public interest.

**127. In recent years has the Federal Reserve exhibited an undue regard for bank profits and an offhand regard for the public interest?**

Yes. In recent years the Federal Reserve has, regrettably, followed a policy which has given away billions to the private banks. It has done this by increasing the money supply largely through lowering bank reserve requirements. The Federal Reserve could have provided part of the increase in the money supply itself by purchasing Government securities. But it did not choose to do so.

128. Is there an example of the Federal Reserve's letting the private banks create all the money needed to increase the money supply?

Yes. In the early part of 1938, the Federal Reserve lowered reserve requirements in order to let private banks increase the money supply by a maximum of \$10 billion. The purpose of reducing reserve requirements was to make more funds available for loans to businesses. The banks, instead, used the new "excess" reserves to acquire \$10 billion of interest bearing U.S. Government securities. This is an example of a "give-a-way," where the Federal Reserve should have purchased Government securities instead of letting private banks do it. To the advantage of their profits and to the disadvantage of the taxpayers.

129. What was the bond give-away bill?

This was a bill sponsored by the American Bankers' Association, introduced in Congress in 1959. Its purpose was to transfer \$16.8 billion of Government securities from the Federal Reserve to private bankers. The goal was to reduce "enormous" Federal Reserve holdings of Government securities—and transfer them, and their interest income, to private firms. The mechanism was to permit banks to count vault cash as reserves, and use the "excess" reserves thereby created to buy bonds from the Federal Reserve. The bill was passed into law only after the House stated its firm opposition to the give-away sections of the bill, and expressed the hope that the new "excess" reserves would be used to expand business loans.

130. Is there any reason to give private bankers more bonds?

Since they already receive almost \$2 billion in interest from the Government, and have profited steadily from reserve requirement payments, it would be wrong. Bonds should be transferred to the Federal Reserve from the private banks, not the reverse.

131. Do private banks perform a service in buying Government bonds?

No, because they create money—an obligation of Government—simply to buy bonds guaranteed by the Government. There is no risk involved, as there is in loans to businessmen and consumers. The banks' traditional functions are to lend to private borrowers and assume the risks of creditors. Their reward for buying bonds with money they create is the "subsidized" profits they enjoy.

132. What is the "burden" of U.S. Government bonds, held by the private banking system?

The burden is the heavy bond interest payments, borne by the taxpayers, that go to private bankers when the same amount of money could be, created by an agency of Government. Then the taxpayers would not bear this tremendous cost on Government bonds purchased with reserves given to the private bankers.

## CHAPTER IX WHAT IS MONETARY POLICY?

133. What is monetary policy?

Monetary policy deals with the operating institutions of the managers of our money factory. Monetary policy is what fits money into the structure of the economy. In specific terms it consists of the decisions the money managers make about the quantity of money, the price of money, and the availability of money. These are the quantities the money managers can manipulate precisely. Of course, the goal of a particular monetary policy at any one time is to steer the economy in the direction desired by the monetary authorities. In the broadest sense, monetary policy can be thought of as manipulation of the money supply in the pursuit of broad economic goals.

134. What types of broad monetary policy are there?

There are two. One is called "passive" and the other "active" monetary policy.

135. What is "passive" monetary policy?

A passive monetary policy is one which does not provide for any day-to-day or year-to-year decisions by money managers to influence the volume or kinds of economic activity. The money supply is not regulated to achieve a specific economic target. Thus does not mean that interest rates do not move up or down. They do. But these moves of the interest rate do not result from any deliberate action by the monetary authorities.

136. What rules guide the money supply in the passive case?

Broadly speaking, they are automatic, akin to the rules a thermostat follows in controlling a room's temperature. For example, the system can be told to increase the money supply by, say, a percent a year. Or, more complicated rules can be devised.

137. What is "active" monetary policy?

Active monetary policy is the decision of the Government to give its monetary agencies the power and the responsibility to influence the economy, through deliberate and constant adjustments of the monetary mechanism. With active monetary policy, the prevailing level of the money supply and of interest rates at any time, results from a conscious choice by the central bank.

138. What kind of monetary policy has the United States followed in recent years?

An "active" policy.